



United States
Department of
Agriculture

Consolidated
Farm Service
Agency

P.O. Box 2415
Washington, D.C.
20013-2415

FmHA AN No. 3159 (1945-D)

May 5, 1995

TO: Acting State Directors, District Directors, and
County Supervisors
Rural Economic and Community Development

ATTN: Farmer Programs Chiefs

FROM: Lou Anne Kling. *LAK 5-5-95*
Acting Deputy Administrator for
Farm Credit Programs

SUBJECT: Disbursement of Emergency (EM) Loan Funds
for up to 5 years for Fruit and Nut Tree
Rehabilitation/Reestablishment

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to clarify that under certain conditions, multi-year disbursement of EM loan proceeds is authorized when EM loans are made for rehabilitation/re-establishment of fruit and nut tree enterprises.

IMPLEMENTATION RESPONSIBILITIES:

Farmers involved in orchard enterprises (almonds, pears, walnuts, and pecans, for example) have special problems after a disaster because of the time it takes for trees to recover. Loan disbursements and repayment schedules may be structured to ease this situation within the authorities of FmHA Instruction 1945-D, section 1945.167(h), which provides for multiple disbursements of EM loan funds. Multiple advances may be made for up to 5 years when funds are needed over a longer period to pay expenses related to rehabilitation/reestablishment of fruit/nut trees. The number of advances will be determined by the needs of the particular operation.

EXPIRATION DATE:
April 30, 1996

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1945-D

Special Procedures

Loan approval

The projected annual plans must support the use of multi-year advances. The case record must include documentation to indicate that initial and future advances will be fully secured in accordance with FmHA Instruction section 1945.169. The "as improved" value of real estate will be used in determining security value in accordance with normal real estate appraisal practice. Assistance code 060 must be used on FmHA Form 1940-1 when multiple-year disbursements are planned for the EM loan being obligated.

Loan closing

State offices should confer with their regional office of the General Counsel to determine if modifications to notes or security instruments are necessary to conform to individual state laws.

Payment schedules

The extended recovery period must also be considered when structuring repayment schedules. FmHA Instruction section 1945.168 permits variable installments consistent with the purpose of the loan when conditions warrant. At least a partial interest payment is required, but the operation may cash flow with only minimal payments in the first year or two of recovery.

Supervision

Adequate supervision is critical for the success of operations receiving assistance under the provisions of this AN. Special attention should be given to the requirements of FmHA Instruction, sections 1924.57(c) and 1924.59, to ensure that the plan of supervision is established when the loan is made, and that the planned supervision is carried out.

If you have any questions, please contact Kathleen Miller, Loan Making Division, at (202) 720-1643.

Sent by electronic mail on 5-8-95 4:14 by GSS. The State Director should advise other personnel as appropriate.